

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 6586

BILL NUMBER: SB 208

NOTE PREPARED: Dec 29, 2009

BILL AMENDED:

SUBJECT: Solid Waste Management District Funding.

FIRST AUTHOR: Sen. Gard

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: Local

Summary of Legislation: *Property Tax Levy and Fees:* This bill provides that for the first year that a property tax will be imposed by a solid waste management district, the district's board must present identical resolutions to each of the county fiscal bodies within the district seeking approval for the use of the property tax revenue. The bill provides that county council approval of a solid waste management district's initial property tax levy must be made before August 1 (rather than before May 1, under current law).

The bill specifies that a district may impose fees only if the district board holds a public hearing in the immediately preceding calendar year and then approves the fees by a majority vote of all members of the board. It requires consolidation of public hearings if imposition of both property taxes and fees is proposed.

Adoption of Annual Budgets: The bill requires the district's annual budget to be approved by a majority vote of all members of the board.

Dissolution of Solid Waste Management Districts: The bill provides that in the case where all but one of the counties participating in a joint district have withdrawn from the joint district or have been removed from the joint district, the county that did not withdraw or was not removed from the joint district must designate itself as a new county district, join one or more other counties to form a new joint district, or join an existing joint district. It specifies that the following apply if such a county does not join or form a joint district: (1) The county must designate itself as a new county district and shall be treated as a new county district. (2) The district must, after a public hearing, adopt and submit to the commissioner of the Department of Environmental Management for approval a new district solid waste management plan. (3) The district must, after a public hearing, adopt a new budget for the district. (4) If the district will impose property taxes in the following year, the county fiscal body must approve the use of property taxes. (5) The board of the district shall appoint and convene a new solid waste management advisory committee.

Effective Date: July 1, 2010.

Explanation of State Expenditures: *Dissolution of Solid Waste Management Districts:* The Department of Environmental Management (IDEM) must review the district plans of those counties that become a single-county solid waste management district because the joint district they belonged to has dissolved. This is similar to when a county decides to withdraw from a joint district under current law. As a result, this requirement should be within the agency's routine administrative functions and should be able to be implemented with no additional appropriations, assuming near customary agency staffing and resource levels.

Explanation of State Revenues:

Explanation of Local Expenditures: Solid waste management districts must hold public hearings to discuss the introduction of a property tax levy and/or fees. Districts also must hold public hearings whenever a fee is modified, or when the membership of the district changes and a new or amended solid waste management plan must be submitted to IDEM. In the event that a district is dissolved and the county becomes a new county district, the district also must hold a public hearing before adopting a new budget. The district may incur additional expenses in preparing for and in conducting these public hearings if they are in addition to regularly scheduled meetings.

In the second and subsequent years that a solid waste management district plans to levy a property tax, the county fiscal body must review or approve the district's budget and property tax levy as applicable. Similarly, each fiscal body within a district must approve the use of property taxes whenever the membership of the district changes and the new county district, new joint district, or existing joint district plans to levy a property tax in the following year (see *Explanation of Local Revenues*). The county fiscal bodies may have to expend additional resources in meeting this requirement.

Explanation of Local Revenues: *Property Tax Levy and Fees:* Current law authorizes a county to either designate itself as a solid waste management district or to establish one with other counties. The very first year the district board of a solid waste management unit plans to levy a property tax to take effect the following year, it must obtain approval from the fiscal body of each county within the district. Each county fiscal body must approve the resolution by May 1 of the year in which the vote is taken. The district also must get approval from the fiscal body of each county if in subsequent years it plans on increasing the property tax levy by 5% or more.

Under this proposal, before a solid waste management can levy a property tax for the very first time, it must first hold a public hearing, then gain the approval of a majority of the members of its board before it submits the proposal to the fiscal body of each county within the district. The bill extends the date the fiscal body of each county has to approve the resolution from May 1 to August 1 of the year the vote is taken.

For the second and subsequent years in which the district plans to levy a property tax under this bill, the proposed tax must first be approved by a majority vote of all the members of the board (a public hearing is not required). Additionally, the bill specifically directs the board to submit its proposed budget and property tax levy to the county fiscal body (or for joint districts the county fiscal body where the district has the most assessed valuation) for approval if the majority of the district's board is not elected and the percentage increase in the proposed budget is higher than the assessed value growth quotient (the average annual change in the state's nonfarm personal income over the past six years or 6%, whichever is smaller). If the district is in Marion County and the majority of its board is not elected, the proposed budget and property tax levy has to be submitted to the city-county legislative body regardless of whether the percentage increase in the

budget is higher than the assessed value growth quotient.

On the other hand, if a majority of the district's board is elected or if the increase in the proposed budget is less than the assessed value growth quotient, the proposed budget and property tax levy would be submitted to the county fiscal body (or for joint districts the county in which the greatest part of the district's net assessed value is located) for review. The county fiscal body is limited to issuing a nonbinding recommendation.

The bill also directs that if the district plans on imposing or modifying a fee in 2011 and after, it must first hold a public hearing and gain board approval in the immediately preceding year. If it intends to levy both property taxes and fees, it may hold a single hearing to discuss both issues.

Adoption of Annual Budgets: Under current law the Department of Local Government Finance (DLGF) must approve the budgets of solid waste management districts. The budget is then forwarded to the executive and the fiscal body of each county and municipality located within the district.

Under this bill, in addition to the DLGF approval, the annual budget must be approved by a majority of the members of the board. This is regardless of whether the district plans on increasing or decreasing the property tax levy or keeping it the same.

Dissolution of Solid Waste Management Districts: Under current law, if a county withdraws from or is removed from a joint district, the county must make one of the following three choices

- a. Designate itself a new district;
- b. Form a new joint district with other counties;
- c. Join an existing joint district.

If the county elects to designate itself a new solid waste management district or joins with other counties to form a new joint district, the county district or new joint district must submit a new district plan to the commissioner of IDEM for approval. If the county joins an existing joint district, the joint district must amend its plan. If two or more members remain in the joint district after the county withdraws or is removed from the district, this joint district also has to amend its district plan.

Under this proposal, the county district or new joint district must hold a public hearing before it can submit its plan to IDEM for approval. Similarly, those districts that only have to amend their plans must also hold a public hearing before they do so. Additionally, if the new county district, new joint district, or existing joint district plans to levy a property tax in the following year, it must obtain prior approval from each of the county fiscal bodies within the district in accordance with the provisions of this bill.

If a joint district is dissolved or all members but one have withdrawn or have been dismissed from the district, each participating member must conform to current law and the requirements of this bill. Furthermore, if the county is the sole remaining member of a joint district from which other members have either withdrawn or have been dismissed (i.e., it did not withdraw nor was removed), and it does not form another joint district with other counties, or join an existing joint district, then by default the county must designate itself as a new county district. In this case, it must, after a public hearing, adopt and submit a new district solid waste management plan to the commissioner of IDEM for approval. The district must also after a public hearing adopt a new budget for the district. If the district plans on levying a property tax in the following year, then it must fulfill the requirements of this bill. The board of the district shall appoint and

convene a new solid waste management advisory committee.

This bill would potentially give taxpayers, district board members, and county officials more control over a district's budget. The public would be permitted to comment whenever a district is planning on levying a property tax for the first time, when either a district has to formulate a new solid waste management plan or revise the current one, or when a new county district has to devise a new budget. Each year the district board, by majority vote of all members, must approve any proposed property tax levy and if the district becomes the sole member of a dissolved joint district, the board has to appoint and convene a new solid waste management advisory committee of citizens. County fiscal bodies must at least review, and in some cases, are permitted to modify the budgets of districts. If the district membership changes, the county fiscal bodies must approve any proposed property tax levy. The bill's impact would occur if budgets and/or property tax levies were reduced either during the review by one of the county fiscal bodies as applicable, or before the review because of anticipated scrutiny and potential opposition.

In 2008 and 2009 there were approximately 68 solid waste management districts that either levied property taxes or had an appropriation. Of the 45 districts that levied property taxes in 2009 for which data is available, 7 districts decreased their levy from 2008; 33 had an increase between 0% and 5%; and 5 had an increase of over 5%. Under this bill the budgets and property tax levies of the 45 districts that levied property taxes in 2009 would be subject to review (under current law only the 5 counties whose property taxes increased by over 5% would be reviewed). The total budget for the 68 districts was approximately \$45 M, of which approximately \$20 M or 44% came from property taxes.

State Agencies Affected: DLGF, IDEM.

Local Agencies Affected: Solid waste management districts; County fiscal bodies.

Information Sources: Local Government Database.

Fiscal Analyst: David Lusan, 317-232-9592.